6351-01-P

## COMMODITY FUTURES TRADING COMMISSION

Agency Information Collection Activities: Notice of Intent to Renew Collection

Number 3038-0091, Disclosure and Retention of Certain Information Relating to

Cleared Swaps Customer Collateral

**AGENCY:** Commodity Futures Trading Commission.

**ACTION:** Notice.

SUMMARY: The Commodity Futures Trading Commission ("CFTC" or "Commission") is announcing an opportunity for public comment on the proposed renewal of a collection of certain information by the agency. Under the Paperwork Reduction Act ("PRA"), Federal agencies are required to publish notice in the Federal Register concerning each proposed collection of information, including each proposed extension of an existing collection of information, and to allow 60 days for public comment. This notice solicits comments on the collections of information provided for by the Commission's regulations under the Commodity Exchange Act ("CEA") relating to the protection of customer collateral held by futures commission merchants ("FCM") and derivatives clearing organizations ("DCO") to serve as margin in cleared swaps transactions.

**DATES:** Comments must be submitted on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** You may submit comments, identified by "Disclosure and Retention of Certain Information Relating to Cleared Swaps Customer Collateral," and Collection Number 3038-0091 by any of the following methods:

- The Agency's web site, at <a href="http://comments.cftc.gov/">http://comments.cftc.gov/</a>. Follow the instructions for submitting comments through the web site.
- Mail: Christopher Kirkpatrick, Secretary of the Commission, Commodity
   Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW.,
   Washington, DC 20581.
  - Hand Delivery/Courier: Same as Mail above.
- Federal eRulemaking Portal: <a href="http://www.regulations.gov/">http://www.regulations.gov/</a>. Follow the instructions for submitting comments through the Portal.

Please submit your comments using only one method.

All comments must be submitted in English, or if not, accompanied by an English translation. Comments will be posted as received to <a href="http://www.cftc.gov">http://www.cftc.gov</a>.

**FOR FURTHER INFORMATION CONTACT:** Jacob Chachkin, Special Counsel, 202-418-5496, e-mail: <u>jchachkin@cftc.gov</u>; or Joshua Beale, Special Counsel, 202-418-5446, e-mail: <u>jbeale@cftc.gov</u>, Division of Swap Dealer and Intermediary Oversight, Commodity Futures Trading Commission.

**SUPPLEMENTARY INFORMATION:** Under the PRA, <sup>1</sup> Federal agencies must obtain approval from the Office of Management and Budget ("OMB") for each collection of information they conduct or sponsor. "Collection of Information" is defined in 44 U.S.C. 3502(3) and 5 CFR 1320.3 and includes agency requests or requirements that members of the public submit reports, keep records, or provide information to a third party. Section 3506(c)(2)(A) of the PRA, 44 U.S.C. 3506(c)(2)(A), requires Federal agencies to provide a 60-day notice in the <u>Federal Register</u> concerning each proposed

<sup>&</sup>lt;sup>1</sup> 44 U.S.C. 3501 et seq.

collection of information, including each proposed extension of an existing collection of information, before submitting the collection to OMB for approval. To comply with this requirement, the CFTC is publishing notice of the proposed collection of information listed below.

**Title:** Disclosure and Retention of Certain Information Relating to Cleared Swaps Customer Collateral (OMB Control No. 3038-0091). This is a request for an extension of a currently approved information collection.

**Abstract:** Part 22 of the Commission's regulations under the CEA establish rules for the protection of customer collateral held by FCMs and DCOs to serve as margin in cleared swaps transactions. As part of this regulatory scheme, regulations 22.2(g), 22.5(a), 22.11, 22.12, 22.16, and 22.17 impose recordkeeping and third-party disclosure requirements on FCMs and DCOs. In addition, regulation 22.13(c)(2) indirectly requires FCMs who post excess collateral with DCOs to perform certain computations regarding such collateral, although it is not expected to materially affect the total paperwork burden associated with part 22.

Regulation 22.2(g) requires each FCM with Cleared Swaps Customer Accounts<sup>2</sup> to, among other things, compute daily and report to the Commission the amount of Cleared Swaps Customer Collateral<sup>3</sup> on deposit in such accounts, the amount of such collateral required to be on deposit in such accounts and the amount of the FCM's residual financial interest in such accounts. Regulation 22.5(a) requires an FCM or DCO to obtain, from each depository with which it deposits cleared swaps customer funds, a

<sup>3</sup> Id.

<sup>&</sup>lt;sup>2</sup> For the definition of Cleared Swaps Customer Account, <u>see</u> Commission regulation 22.1. 17 CFR 22.1.

letter acknowledging that such funds belong to the Cleared Swaps Customers<sup>4</sup> of the FCM or DCO, and not the FCM, DCO, or any other person. Regulation 22.11 requires each FCM that intermediates cleared swaps for customers on or subject to the rules of a DCO, whether directly as a clearing member or indirectly through a Collecting FCM<sup>5</sup>, to provide the DCO or the Collecting FCM, as appropriate, with information sufficient to identify each customer of the FCM whose swaps are cleared by the FCM. Regulation 22.11 also requires the FCM, at least once daily, to provide the DCO or the Collecting FCM, as appropriate, with information sufficient to identify each customer's portfolio of rights and obligations arising out of cleared swaps intermediated by the FCM. Regulation 22.12 requires that each Collecting FCM and DCO, on a daily basis, calculate, based on information received pursuant to regulation 22.11 and on information generated and used in the ordinary course of business by the Collecting FCM or DCO, and record certain information about the amount of collateral required for each Cleared Swaps Customer and the sum of these amounts. Regulation 22.16 requires that each FCM who has Cleared Swaps Customers disclose to each of such customers the governing provisions, as established by DCO rules or customer agreements between collecting and depositing FCMs, relating to use of customer collateral, transfer, neutralization of the risks, or liquidation of cleared swaps in the event of default by a Depositing FCM<sup>6</sup> relating to a Cleared Swaps Customer Account. Regulation 22.17 requires that FCM produce a written notice of the reasons and the details concerning withdrawals from

<sup>&</sup>lt;sup>4</sup> <u>Id.</u> <sup>5</sup> <u>Id.</u>

Cleared Swaps Customers Account not for the benefit of Cleared Swap Customers if such withdrawal will exceed 25% of the FCMs residual interest in such account.

The Commission believes that the information collection obligations imposed by Commission regulations 22.2(g), 22.5(a), 22.11, 22.12, 22.16, and 22.17 are essential (i) to ensuring that FCMs and DCOs develop and maintain adequate customer protections and procedures over Cleared Swap Customer funds as required by the CEA, and Commission regulations, and (ii) to the effective evaluation of these registrants' actual compliance with the CEA and Commission regulations. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

With respect to the collection of information, the CFTC invites comments on:

- Whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information will have a practical use;
- The accuracy of the Commission's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used:
- Ways to enhance the quality, usefulness, and clarity of the information to be collected; and
- Ways to minimize the burden of collection of information on those who are to respond, including through the use of appropriate automated electronic, mechanical, or other technological collection techniques or other forms of information technology; <u>e.g.</u>, permitting electronic submission of responses.

You should submit only information that you wish to make available publicly. If

you wish the Commission to consider information that you believe is exempt from

disclosure under the Freedom of Information Act, a petition for confidential treatment of

the exempt information may be submitted according to the procedures established in

§ 145.9 of the Commission's regulations.

The Commission reserves the right, but shall have no obligation, to review, pre-

screen, filter, redact, refuse or remove any or all of your submission from

http://www.cftc.gov that it may deem to be inappropriate for publication, such as obscene

language. All submissions that have been redacted or removed that contain comments on

the merits of the information collection request will be retained in the public comment

file and will be considered as required under the Administrative Procedure Act and other

applicable laws, and may be accessible under the Freedom of Information Act.

**Burden Statement:** The Commission is revising its estimate of the burden for

this collection to reflect the current number of affected registrants. Accordingly, the

respondent burden for this collection is estimated to be as follows:

Number of Registrants: 68.

Estimated Average Burden Hours Per Registrant: 365.

Estimated Aggregate Burden Hours: 24,820.

Frequency of Recordkeeping: As applicable.

(Authority: 44 U.S.C. 3501 et seq.)

<sup>7</sup> 17 CFR 145.9.

Dated: April 18, 2017.

## Robert N. Sidman,

Deputy Secretary of the Commission.

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